

House Study Bill 298

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON VAN FOSSEN)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the establishment by certain cities of sales
2 tax increment financing districts.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 3588HC 81
5 mg/sh/8

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1 1 Section 1. NEW SECTION. 423B.10 SALES TAX INCREMENT
1 2 FINANCING DISTRICTS.
1 3 1. For purposes of this section, unless the context
1 4 otherwise requires:
1 5 a. "Base year" means the fiscal year during which the
1 6 designation by ordinance of a sales tax increment financing
1 7 district is made.
1 8 b. "District" means a sales tax increment financing
1 9 district established pursuant to subsection 2.
1 10 c. "Eligible city" means a city in which a local sales and
1 11 services tax imposed by the county applies or a city described
1 12 in section 423B.1, subsection 2, paragraph "a".
1 13 d. "Project" means an athletic, cultural, or entertainment
1 14 facility or complex.
1 15 e. "Retail establishment" means a business operated by a
1 16 retailer as defined in section 423.1.
1 17 2. An eligible city may by ordinance of the city council
1 18 establish a sales tax increment financing district for the
1 19 purpose of using the increased local sales and services tax
1 20 revenues received by it under this chapter which are
1 21 attributable to retail establishments in the district to repay
1 22 any loans, advances, indebtedness, or bonds used to assist in
1 23 the development, redevelopment, improvement, or rehabilitation
1 24 of a project located within such district. The increased
1 25 revenues shall be deposited into a special fund to be
1 26 established for the purpose of repaying the loans, advances,
1 27 indebtedness, or bonds.
1 28 3. a. To determine the revenue increase for purposes of
1 29 subsection 2, a base year revenue amount shall be calculated
1 30 by the department of revenue as follows:
1 31 (1) Determine the amount of local sales and services tax
1 32 revenue collected from retail establishments located in the
1 33 area comprising the district during the base year.
1 34 (2) Determine the dollar amount of the tax revenues
1 35 collected, as described in subparagraph (1), which is
2 1 distributed to the city during the base year. This is the
2 2 base year revenue amount.
2 3 b. A current year revenue amount is determined for each
2 4 fiscal year following the base year in the manner specified in
2 5 paragraph "a".
2 6 c. The excess of the amount determined in paragraph "b"
2 7 over the amount determined in paragraph "a" is the increase in
2 8 the eligible city's revenues that are to be deposited into the
2 9 special fund.
2 10 4. An eligible city that has designated a sales tax
2 11 increment financing district as provided in subsection 2 may
2 12 apply to the department of economic development to receive a
2 13 portion of the amount of the state sales tax revenues
2 14 collected pursuant to chapter 423, subchapter II, during a
2 15 fiscal year from retail establishments located in such
2 16 district in excess of the amount of such revenues collected
2 17 during the base year. The department of economic development
2 18 shall establish by rule criteria for determining if it will

2 19 enter into an agreement with an eligible city. These criteria
2 20 shall include, but not be limited to, all of the following:
2 21 a. The project is not replacing an athletic, cultural, or
2 22 entertainment facility or complex located in another part of
2 23 the city.
2 24 b. The extent to which the project will bring out-of-state
2 25 residents to the city and the county.
2 26 c. The extent to which the project will have an adverse
2 27 effect on surrounding cities and counties.
2 28 d. The district is a well-defined compact area where the
2 29 majority of the commercial property contained in the district
2 30 is benefited by the project.
2 31 e. The total amount of investment to be made in the
2 32 project and the amounts to be provided by private investors,
2 33 the city, and the state.
2 34 f. The agreement shall be for a period not to exceed ten
2 35 fiscal years or to obtain a specific dollar amount, whichever
3 1 occurs first.
3 2 5. The payment of any portion of the amount of state sales
3 3 tax revenues collected during a fiscal year under subsection 4
3 4 is contingent upon an appropriation by the general assembly
3 5 specifically for payment of such revenue increase, and any
3 6 agreement entered into between the department of economic
3 7 development and an eligible city shall contain a statement as
3 8 to this contingency.
3 9 6. All moneys received by an eligible city from state
3 10 sales tax revenue collections shall be deposited into the
3 11 special fund established pursuant to subsection 2.
3 12 7. For purposes of this section, the eligible city shall
3 13 assist the department of revenue in identifying retail
3 14 establishments in the district that are collecting the local
3 15 sales and services tax and state sales tax. This process
3 16 shall be ongoing until the district is dissolved.
3 17 Sec. 2. Section 423E.5, unnumbered paragraph 2, Code 2005,
3 18 is amended to read as follows:

3 19 A school district in which a local option sales tax for
3 20 school infrastructure purposes has been imposed shall be
3 21 authorized to enter into a chapter 28E agreement with one or
3 22 more cities or a county whose boundaries encompass all or a
3 23 part of the area of the school district. A city or cities
3 24 entering into a chapter 28E agreement shall be authorized to
3 25 expend its designated portion of the local option sales and
3 26 services tax revenues for any valid purpose permitted in this
3 27 chapter or authorized by the governing body of the city,
3 28 including the use of the revenues for purposes of a sales tax
3 29 increment financing district under section 423B.10. A county
3 30 entering into a chapter 28E agreement with a school district
3 31 in which a local option sales tax for school infrastructure
3 32 purposes has been imposed shall be authorized to expend its
3 33 designated portion of the local option sales and services tax
3 34 revenues to provide property tax relief within the boundaries
3 35 of the school district located in the county. A school
4 1 district where a local option sales and services tax is
4 2 imposed is also authorized to enter into a chapter 28E
4 3 agreement with another school district, a community college,
4 4 or an area education agency which is located partially or
4 5 entirely in or is contiguous to the county where the tax is
4 6 imposed. The school district or community college shall only
4 7 expend its designated portion of the local option sales and
4 8 services tax for infrastructure purposes. The area education
4 9 agency shall only expend its designated portion of the local
4 10 option school infrastructure sales tax for infrastructure and
4 11 maintenance purposes.

4 12 EXPLANATION

4 13 This bill authorizes a city with a local option sales and
4 14 services tax to establish by ordinance a sales tax increment
4 15 financing district for the purpose of dedicating and using the
4 16 increase in the local sales and services tax revenues to pay
4 17 the loans, advances, indebtedness, and bonds used to assist in
4 18 the development, redevelopment, improvement, or rehabilitation
4 19 of an athletic, cultural, or entertainment facility or complex
4 20 project located within such district.

4 21 The bill also allows the city to enter into an agreement
4 22 with the department of economic development to receive
4 23 assistance for all or a portion of the increase in state sales
4 24 tax revenues collected by retail establishments in the
4 25 district. This state assistance is subject to appropriation
4 26 by the general assembly. The department would establish
4 27 criteria for entering into such an agreement, which criteria
4 28 would include the extent to which the project would bring in
4 29 nonresidents of the state and would affect surrounding

4 30 communities, the amount of private and public investment being
4 31 made, the compactness of the district, and the requirement
4 32 that the project is not replacing a similar facility or
4 33 complex in the city. The agreement would be for a period of
4 34 10 years or for a specified amount of state assistance,
4 35 whichever occurs first.

5 1 The bill provides that a school district may use its
5 2 revenues from its local sales and services tax for school
5 3 infrastructure purposes for purposes of the city's sales tax
5 4 increment financing district.

5 5 The base year revenue amount for determining the increase
5 6 in tax revenues is the amount of tax revenues collected and
5 7 distributed to the city during the fiscal year ending after
5 8 the city has established the district.

5 9 LSB 3588HC 81
5 10 mg/sh/8